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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

JUN 11 1951

Date: _____

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities.
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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JAPANESE PEACE TREATY

"A" USSR Proposes a Japanese Peace Conference in July or August. On 10 June the Soviet Government delivered to US Ambassador Kirk a note proposing: (1) a multilateral peace treaty with Japan; (2) the working out of a treaty on the basis of the Cairo-Potsdam declaration and the Yalta Agreement (which, according to the USSR, means the convocation of a CFM consisting of the USSR, US, UK and Communist China; and (3) the holding of a peace conference in July or August of representatives of all countries whose armed forces took part in the war against Japan to consider available draft peace treaties. Copies of the notes were sent to Britain, France, Communist China, India, Pakistan, Burma, Australia, Canada, New Zealand, the Mongolian People's Republic and the Korean People's Republic. [REDACTED] COMMENT: This latest Soviet proposal appears to be a direct rebuttal to the US note of 19 May and is timed to coincide with the current Japanese treaty negotiations of Ambassador Dulles in London and Paris. A possible shift in emphasis to win support for the position of the USSR and Communist China regarding Japan is Moscow's suggesting for the first time a date for a conference of representatives of all countries participating with armed forces in the war against Japan, rather than a CFM meeting. Additionally, the detailed refutation of charges made in the US memorandum of 20 May reflects sensitivity particularly regarding failure to repatriate Japanese POW's, the extent of Soviet participation in the war against Japan, and the special interests of the USSR in Manchuria.

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SECTION 1 (SOVIET)

"B" USSR. Soviet Industrial Production Incentives. Moscow Radio announces that Kuibyshev Ballbearing Works has become an Enterprise of Collective Stakhanovite Work as a result of following the example of the Moscow Kalibr Works with which it has concluded a number of "competition contracts." Recent innovations in this factory include the following: (1) the hour graph; (2) individual economy accounts; (3) maps of statistical control; (4) "Socialist" keeping of machinery. [REDACTED] COMMENT: The introduction of these measures shows the continuous emphasis on increasing the production of Soviet industrial workers, and is in line with previous well publicized incentive inducements and inter-factory competitions.

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"B" EASTERN EUROPE. ALBANIA. Anti-Tito Refugees Organized. [REDACTED]

[REDACTED] Yugoslav Cominformist refugees in Albania have established a committee in Tirana for the purpose of proselytizing non-Communist Yugoslavs and broadcasting anti-Tito propaganda over Radio Tirana. [REDACTED] the Albanian Government has established camps for both Cominformists and non-Communist refugees which are under the supervision of a Directorate for Yugoslav Refugees in Shkoder. The Cominformist Yugoslav refugees, located in Shkoder, Fier, and Tirana, consist mainly of ex-Yugoslav army officers from Montenegro who enjoy preferential treatment in regard to freedom of movement, the

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carrying of firearms, salaries and living accommodations. Most of the non-Communist refugees are Montenegrins who are employed as agricultural workers on a state farm in southern Albania where they are given shelter, food and cigarettes, but no pay. [redacted]

[redacted] Judging available monitored broadcasts, a major portion of Albanian broadcasting time to eastern Europe is composed of anti-Tito material in Serbo-Croat.

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"B" BULGARIA. Simultaneous Peasant Demonstrations Reported. The Turkish press and radio during the past week have reported simultaneous anti-Communist peasant demonstrations throughout Bulgaria. The US Consulate in Istanbul states that "uprisings in Bulgaria have been partially confirmed" by Bulgarian immigrants interrogated in Turkey who stated that demonstrations took place in the widely separated cities of Shuman, Pleven and Svilengrad late in May. The immigrants also stated that anti-regime pamphlets have been recently distributed in large Bulgarian towns. [redacted]

[redacted] COMMENT: Despite claims of immigrants and the Turkish press that recent demonstrations were simultaneous, there is still insufficient evidence to confirm the existence of any coordinated resistance movement in Bulgaria.

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"C" CZECHOSLOVAKIA. Opposition to "Peace Plebiscite" Cited. The US Legation in Praha reports limited clandestine circulation in Praha of a letter of unknown origin attacking the current Communist "Peace Plebiscite." The letter points out the compulsory nature of the campaign and warns that non-participants risk Moscow-directed retaliation. [redacted]

COMMENT: Such letters attacking Soviet maneuvers have been sporadically circulated in all satellite countries since the Communist seizure of their governments. [redacted]

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"C" POLAND. Potential Dissidents Being Evicted from Polish Cities. US Embassy Warsaw reports that during the past few months it has received numerous reports of eviction from their homes of people in Warsaw and other Polish cities. The evictions are taking place under the terms of a decree which gives the government authority over the allocation of housing. The US Embassy comments that the Polish Government is making use of its power of eviction in order to rid the larger Polish cities of elements it considers undesirable, such as officials of the pre-war government, members of the World War II Polish underground, or former private businessmen. [redacted]

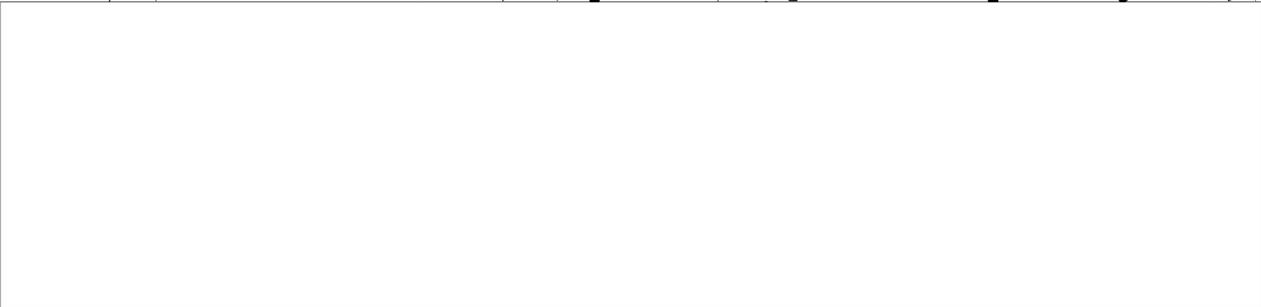
[redacted] COMMENT: Similar information was received from Poland in April, at which time no effort was being made by the Government to resettle the persons evicted. Similar evictions have been reported from Budapest during the past few weeks.

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"B" YUGOSLAVIA. Export Commitments to US Firms Fulfilled. According to an American representative of a US import firm in Yugoslavia, the Tito Government recently refused an offer of a Swiss firm to buy a considerable quantity of lead on highly advantageous terms in dollars because the Yugoslavs learned that the shipment was likely to find its way to Cominform countries. The American representative adds that the Yugoslavs are living up to contracts made with US firms for deliveries of strategic materials, even though the Yugoslav Government could sell these items at higher prices to Western European countries. He notes that the Yugoslav Government has filled these commitments without complaint or requests for a price adjustment.



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SECTION 2 (EASTERN)

"B" TURKEY. Foreign Minister Criticized at Democratic Party Session. Foreign Minister Koprulu was subjected to strong criticism at a meeting of Democratic Party Parliamentary Deputies on 5 June. Criticism apparently centered around the Government's unsuccessful efforts to obtain full membership for Turkey in the North Atlantic Treaty Organization (NATO), although the Foreign Minister was also criticized for attending provincial political meetings rather than attending to affairs of state in Ankara. The Embassy attributes these attacks on Koprulu primarily to the efforts of the elements in the Democratic Party who wish to weaken Prime Minister Menderes' position by belaboring his close associates. It cites the attack as an indication that the Government's failure to obtain security commitments from the West has become an increasingly significant issue in the Party's internal politics. [redacted] 25X1

COMMENT: Many members of the Democratic Party, particularly in the provinces, have been critical of the small hard-core group in the capital, including both Menderes and Koprulu, which has attempted frequently to run rough-shod over the remainder of the Party. The Government will undoubtedly use this criticism as a spur to the West in pressing for Turkey's full membership in NATO.

"B" SYRIA. Further Reports of a Possible Change in the Government. US Minister Cannon reports that discussions in Damascus concerning the replacement of Prime Minister al-Azm's cabinet with a coalition government including the Populist (People's) Party has been confirmed by Akram Hawrani, an Independent, and also by sources within former Premier Qudsi's Populist Party. [redacted] 25X1 25X1

[redacted] Hawrani told Cannon that the opposition of anti-Army elements in the People's Party to any participation in a coalition cabinet is the main obstacle to a fall of the present al Azm government. While Cannon believes that the formation of a new Syrian Government might occur at any time, he believes there are two factors which may prevent an immediate cabinet change: (a) the tension in Syria resulting from the continuing Syrian-Israeli border dispute and (b) Populist disapproval of the military budget which the Syrian Parliament is currently considering. [redacted] 25X1 25X1

COMMENT: The fact that Hawrani is a close friend of the influential Army Chief of Staff, Col. Shishakli, who plays a dominant role in Syrian politics, underlines the importance of Hawrani's views. While the Syrian-Israeli border dispute has tended to subordinate domestic dissatisfactions with the present Syrian Cabinet, the increasing criticism of al Azm's government, [redacted] 25X1 25X1

[redacted] suggests that the days of the al Azm cabinet are numbered.

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"B" BURMA. Comments on Burmese Elections. On 12 and 19 June the Burmese will conduct their first national elections since independence. The elections are being held to replace the present Parliament, which is composed of the remnants of the Constituent Assembly elected in April 1947. Balloting will take place in only about one-third of the constituencies in Burma, but further elections will continue to be held throughout the year as additional areas become sufficiently free of insurgent activities. It appears highly unlikely that the Socialist-APFEL (Anti-Fascist Peoples Freedom League) combine, which has controlled the Government continuously since 1948, will be defeated. Its influence over members of Parliament (whose constituencies are not presently being contested) and the armed forces, its superior organization in the hinterland and its patronage privileges ensure its strength. The general unpopularity of the Socialists and widespread dissatisfaction with existing conditions, however, will probably result in the election of some genuine opposition (both rightist and leftist) in Parliament. It is also entirely possible that some key Government officials, including Prime Minister Thakin Nu, will be defeated as a result of a Government strategy to run its strongest candidates against the most prominent opposition leaders. A slight loss in the stability of the Burmese Government appears likely as an outcome of the election but no sharp changes in policy are indicated.

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"C" CHINA. Peiping Derides US Military Capability. Peiping radio, in a 4 June commentary entitled "The American Imperialists Are Worried About Their Own Incapability," takes the line that the current US Senate hearings increasingly "expose the ambition of the American imperialists for aggression..." Peiping finds US military leaders unanimous in favoring an "aggressive policy," differing only in regard to "how and when expansion of their aggression will be put to a test." The broadcast, concluding that "American power is insufficient to satisfy their aggressive ambitions," cites alleged evidence of US anxiety lest commitment to the "Korean bog" cause its "whole aggressive program (to) entirely collapse." [redacted]

COMMENT: The above for the most part is a restatement

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of the standard Communist line (outside Moscow) that US leaders agree in desiring to expand hostilities but are fearful that US strength is insufficient. The reference to Korea recalls earlier suggestions by Chinese Communist spokesmen that it is international Communist strategy to exploit the manpower resources of Asian 'liberation' movements to force the US to maldeploy its troops and waste its substance in indecisive conflicts in the "least important" theater. It is not known whether this line accurately reflects Communist strategy or is intended to inspire doubts as to the value of US efforts to halt Communist aggression in Asia.

"A"

Chinese Communist Militiamen Reported Enroute to Korea.

According to a Nationalist report approximately 30,000 militiamen were forcibly conscripted by the Kwangsi Military District Command and on 15 and 20 May were sent on Army trucks to Changsha where they are to be reorganized and trained for duty in Korea.

COMMENT: The drafting of militia and military district troops into the regular army forces of the Chinese Communists has been frequently reported. It is expected that the increasingly high rates of attrition suffered in Korea will result in the acceleration of this substitution system in utilizing secondary forces without depleting the regular troops now stationed in strategic areas of China proper.

"C"

KOREA. Rhee Reluctantly Approves More Realistic Won-Dollar Rate.

Ambassador Muccio reports that the ROK Prime Minister and Foreign Minister have finally obtained President Rhee's reluctant approval for a won 6000 to 1 dollar counterpart rate (the rate at which the ROK Government collects local currency for US-financed and imported goods and the proceeds of which are deposited in a reserve fund). Both Government and private circles feel that the increase in rate and the non-repayment of won advances to UN forces will lead to further inflation.

COMMENT: Although a major US economic recommendation the President has opposed for a considerable period a raising of the former 4000 to 1 counterpart rate on the grounds that the repayment of ROK loans to the UN for essential local purposes would be the major solution to the inflation problem.

"B"

Enemy May Require up to Six Weeks to Mount Offensive.

The Far East Command Intelligence Staff believes that the current UN offensive against the Kumhwa complex is seriously hampering enemy efforts to regroup and reconstitute his forces. Preparations for another major offensive effort by Chinese and North Korean forces are therefore estimated to require at least three, and more likely, five to six weeks.

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SECTION 3 (WESTERN)

"C" GERMANY. Allied High Commission Plans Retaliation on Soviet Interference with West Berlin Trade. At a special session on 8 June, the Council of the Allied High Commission agreed: (1) to order the West Berlin City Council to stop issuing certificates of origin of raw materials used in West Berlin exports as demanded by Soviet Zone officials; (2) to send a letter of protest to the head of the Soviet Control Commission for Berlin; and (3) to instruct the West Berlin commandants that if the situation is not improved by 12 June, all shipments from western Berlin to the Soviet Zone are to be stopped. Francois-Poncet, the French High Commissioner, demurred to this action on the ground that it might provoke the USSR to impose a new blockade of Berlin, and stated that he would have to consult his Government before agreeing to all-out countermeasures against Soviet interference with West Berlin trade. The UK High Commissioner felt that vigorous countermeasures now were all the more necessary "if a blockade were developing". COMMENT: Tightening of Allied controls on West German exports to the Soviet Zone, given as one of the reasons for East German failure to achieve production targets in key industries in connection with the Five Year Plan, may be the reason for Soviet pressure on West Berlin trade. This pressure could constitute a Soviet bargaining point in the current attempt to negotiate a favorable trade treaty between East Germany and the Federal Republic. Stoppage of shipments from West Berlin to the Soviet Zone may be difficult to effect in view of the attitude of the Berlin City Council, which has already yielded to Soviet pressure in order to prevent further deterioration of the West Berlin economy. The Soviet attitude toward reimposition of a Berlin blockade is not likely to be determined solely by economic considerations.

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"C" AUSTRIA. Soviets Press for More Raw Materials for USIA Plants. The Soviet element in Austria continues to press the Austrians for an increase of raw material allocations to USIA (Soviet-controlled) plants. In conversations with Austrian Interior Minister Kolb in April, Soviet Deputy Commissioner Major General Tsinev indicated that unless USIA plants get better, or even preferential, treatment, the Soviets may reduce or suspend the deliveries to the Austrian economy of oil from the Zistersdorf oil fields. Kolb, however, informed Tsinev that deliveries of raw materials could not be increased because of supply shortages.

COMMENT: Austria is dependent upon the Soviet allocations for her oil. The USIA plants have recently been operating at a loss, due to raw materials shortages and an inability to sell goods competitively on the world market. A Soviet investigating commission, sent to the plants early this year, considered returning them to the Austrian Government.

"A" FRANCE. Communists Concede Election Losses. The French Communist Party (PCF) estimates that because of the "phony" electoral law it will lose about 40 of the 180 seats it controlled in the last Assembly, and is therefore concentrating on obtaining a large popular vote in order to retain the propaganda value of the claim that the PCF is the leading popular force in France. Planning in terms of post election social disturbances, the PCF is expected to continue its efforts to disrupt French economic recovery and defense efforts, and also to try to "create conditions" for the establishment of a government which would dissociate France from NATO.

COMMENT: The PCF has been encouraged by recent evidence that inflation has increased popular susceptibility to Communist propaganda. Party leaders will attempt to turn this support for the PCF economic program into acceptance of Communist political aims. Despite the renewed confidence which the French working class placed in Communist labor policy as a result of the March 1951 strikes, the French people can be expected to continue to distinguish sharply between PCF economic and political policies.

"B" BELGIUM. King Leopold to Abdicate 16 July. Leopold III informed the Belgian Government of his desire to abdicate on 16 July. The Belgian Prime Minister stated that the Prince Royal would be crowned King on the following day before a joint session of Parliament.

COMMENT: With Leopold's abdication, the royal question can be considered as settled for all practical purposes. The date suggested by Leopold has no special significance. Little unrest is anticipated.

"B" NORWAY. Difficulties Anticipated in Obtaining Polish Coal. Norway had planned to get 450,000 metric tons of coal from Poland out of its

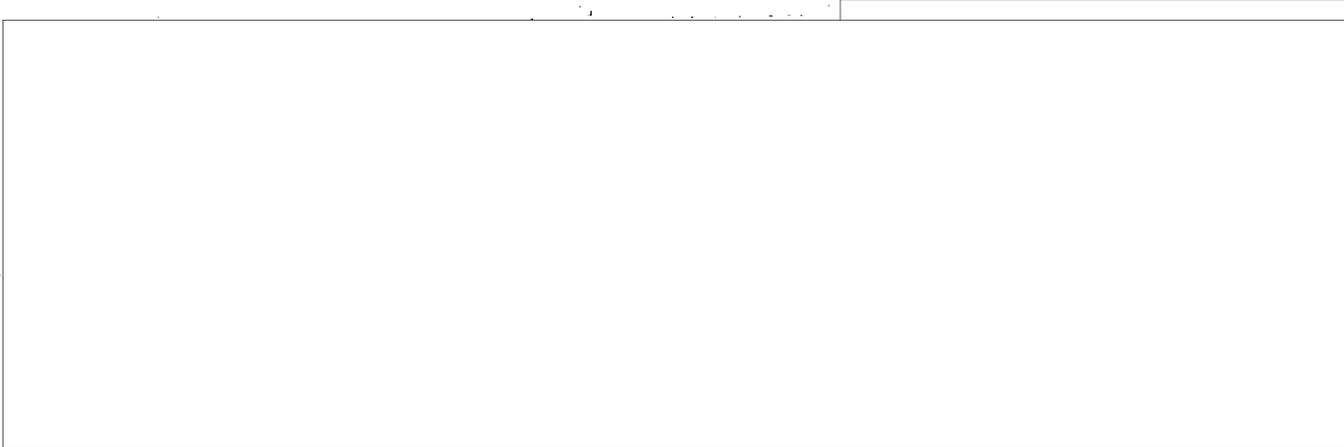
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950,000 ton 1951 import needs; but only 125,000 tons are already contracted for under an agreement with Poland for the first half of 1951. Norwegian officials expect difficulties in concluding an agreement for the remainder of the year's requirements since they believe that Poland will not supply the full amount needed without Norwegian deliveries of strategic items such as chemical pulp, cellulose wool, iron ore concentrates, ferro-alloys and pyrites. The Norwegian Foreign Office is inclined to refrain from concluding any agreement calling for strategic items from Norway unless they can get the full amount of coal needed. ECA Mission Oslo believes that a proposed US plan for replacing some of current Polish coal deliveries to ECA countries with US coal under an ECA reserve fund arrangement, would strengthen the Norwegian bargaining position in negotiating with the Poles.

[redacted] COMMENT: Norwegian dependence on Polish coal has been a powerful lever enabling Poland to obtain strategic materials from Norway. The prospect of another source, at no additional dollar cost, would enable Norway to bargain more effectively for at least greater quantities of coal in return for lesser quantities of strategic materials.

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"C" NICARAGUA. World Bank Loans Help Somoza Administration. Two loans aggregating \$4.7 million have been made to Nicaragua by the International Bank for Reconstruction and Development. The first loan of \$3.5 million was made to the government for the purpose of machinery and equipment for highway construction. The second, for \$1.2 million, was made to the Banco Nacional de Nicaragua for the purchase of agricultural machinery. [redacted]

[redacted] COMMENT: These loans will help President Somoza to carry out the campaign promises he made last year and will probably enhance the stability of his friendly, pro-US administration.

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"C" PANAMA. Government to Penalize Ships Violating UN Embargo. In compliance with a US request, the Foreign Minister stated that the Panamanian Government would report to the UN AMC (Additional Measures Committee), prior to 18 June, the penalties which the Panamanian Government would apply to Panama registry ships violating the UN embargo. [redacted]

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COMMENT: The elimination of ships under Panama registry from the Western flag vessels carrying strategic materials to Communist China would be a substantial contribution to the effectiveness of the UN embargo since the Panamanian merchant marine is one of the largest in the world, numbering approximately 900. However, effective enforcement of penalties might well reduce the number of ships registered in Panama and thereby cut into the government's revenue from registry and property taxes on vessels. Consequently, the degree of enforcement will be a further test of the cooperativeness of the newly installed Arosemena Administration.

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11 June 1951

SECTION 2 (EASTERN)

"B" IRAN. Financial Need Increasing Pressure on Iranian Prime Minister. The Anglo-Iranian Oil Company (AIOC) latest advance of funds to Iran (1 million pounds sterling) occurred on 31 March 1951, according to the US Ambassador in Tehran. Suspension of AIOC advances is undoubtedly having a detrimental effect on the Iranian fiscal and budgetary situation, but the Ambassador believes that a crisis is apparently not imminent, although greatly feared by Mossadeq, who for that reason is rushing implementation of the oil nationalization law. While the Government is already not paying for its current obligation, the Ambassador reports that it may be able to get by for 2-3 months and possibly more. [REDACTED] COMMENT: In the post World War II period, the Iranian Government has been chronically short of funds. Since roughly 40 percent of its income has been AIOC payments, it is obvious that the suspension of these payments will cause most serious financial difficulties. Mossadeq previously requested Ambassador Grady to urge the AIOC to find some basis for making funds available to the Iranian Government [REDACTED] The UK is naturally aware of the persuasive effects of withholding these payments.

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SECTION 3 (WESTERN)

"C" CANADA. Support for Membership of Greece and Turkey in NATO Indicated. Minister of External Affairs Pearson, in an off-the-record press conference on 8 June, stated that Canada was not opposed to admitting Greece and Turkey into NATO but would not take a lead to secure their inclusion. He paid high tribute to Turkey, mentioning the high calibre of its army, the stability of its government, and its need for security. [REDACTED] COMMENT: The holding of an off-the-record conference in which complimentary remarks were made about Turkey indicates that Pearson feels there may be some public opposition to this stand and that answers should thus be provided in advance. Most Canadians would probably prefer to see NATO remain an alliance among nations with a common cultural background rather than an out-and-out military alliance; but, unlike some of the smaller European members of NATO, Canada is not particularly concerned about greater vulnerability to itself in the event of hostilities or about the prospect of the available military assistance being spread too thin.

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